Minneapolis Trends

Highlights for the fourth quarter of 2003

- In the city and in the metropolitan area, fewer people were employed and some dropped from the labor force. Unemployment rose. page 4
- Prices tended to increase faster. page 5
- Permitting activity for new residential construction in the city decreased, as did construction value. page 8
- Residential remodels of \$50,000 or more continued to take place in the lake area. page 12
- Average rent in the city rental market decreased slightly and the vacancy rate rose. page 15

Highlights for the year 2003

- Labor force and employment increased, and unemployment increased also. page 4
- Prices increased but to lower degree than in the U.S. as a whole. page 5
- Residential construction was slower than last year. page 8
- Minneapolis added more than 1,600 new housing units. page 9
- Rental vacancy rate in the Twin Cities metro area reached an eighteen-year high. page 14
- Average rent rose in the city. page 15
- Average sale prices for housing units increased, but sales declined. page 16

A Quarterly Overview of Socioeconomic and Housing Trends in Minneapolis



fourth quarter 2003



Department of Community Planning & Economic Development

Vol.2, No. 4

2003

Minneapolis Trends

fourth quarter 2003



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ECONOMIC INDICATORS

Population: Data are based on the 2000 Census of Population and Housing. Figures shown are for the City of Minneapolis and the metropolitan area. Except when otherwise specified, the metropolitan area includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington counties.

Income per capita: Income per capita is the cumulative income measured in dollars produced during a period of time in a given geographical area divided by the total population of this area. The most current source of information is the 2000 Census of Population and Housing. Figures for 1989 and 1999 were adjusted to reflect 2003 dollars using the Consumer Price Index (CPI) of the Bureau of Labor Statistics (USBLS). Table two compares Minneapolis, the metro area and the United States.

Labor Force, Employment and Unemployment: Labor force, employment and unemployment information is based on monthly figures from the Minnesota Department of Economic Security. Labor Force is the average number of non-farm workers employed or looking for a job at a given time. Table three presents quarterly and year-to-date information for the city and the metropolitan area.

Consumer Price Index: This index, developed by the USBLS, is based on consumer surveys of all urban households for items such as food and beverages, housing, apparel, medical care, recreation, education and others. Bi-annual and annual information is available. Table four presents a comparison of urban consumers in the Midwest, the United States and the Minneapolis-St. Paul metropolitan area as defined by the U.S. Office of Management and Budget (OMB). This information is updated every six months.

Interest Rates: Fannie Mae tracks LIBOR (London Inter-bank offered rate) and the 30-year required net yield every month. Information by quarter in tables five and six show interest rates in the last month of the quarter.

POPULATION

In 2000, Minneapolis had about 14,000 or 3.9 percent more people than in 1990. In the seven-county metropolitan area, population in households increased by more than 353,000, nearly the total population of the City of Minneapolis.

TABLE 1: POPULATION

AREA	2000	1990	GROWTH			
Minneapolis	382,618	368,383	3.9%			
7-county metro*	2,642,056	2,288,721	15.4%			

*Includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington counties Source: Census of Population and Housing

INCOME PER CAPITA

Between 1989 and 1999, income per capita grew in real terms in Minneapolis and the metropolitan area. In 2000, growth was almost three percentage points more in the city than the United States, but 2.5 percent points lower in comparison to the metro area.

TABLE 2: INCOME PER CAPITA in 2003 dollars						
AREA	1999	1989	GROWTH			
Minneapolis	\$25,380	\$22,209	14.3%			

 Minneapolis
 \$25,380
 \$22,209
 14.3%

 7-county metro
 \$29,957
 \$25,642
 16.8%

 US
 \$23,842
 \$21,397
 11.4%

Source: U.S. Census of Population & Housing. Consumer Price Index from Bureau of Labor Statistics

EMPLOYMENT

In comparison with the third quarter, the labor force, employment and unemployment decreased in both the city and the metro area. Fewer people were working and some dropped from the labor force. As a result, the unemployment rate dropped too.

In comparison with the same period last year the city had a larger labor force and more people were employed, but unemployment expanded by eight percentage points. In the metro area employment decreased, unemployment increased and some people left the labor force.

Annual figures (year-to-date figures for the fourth quarter) show that labor force and employment increased in the city between 2002 and 2003, but at the same time, unemployment went up by three percentage points. In the metro area, fewer people were employed in 2003, and the proportion of the unemployed rose by five percentage points. The labor force decreased.

TABLE 3: LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT

	CITY	METRO AREA	CITY	METRO AREA
4Q-02 Labor Force Employment Unemployment Rate	219,503 209,958 4.3%	1,641,410 1,580,693 3.7%	2002 220,055 209,069 4.9%	YTD average 1,642,040 1,574,757 4.1%
1Q-03 Labor Force Employment Unemployment Rate	225,262 214,456 4.8%	1,612,265 1,538,695 4.6%	2003 225,262 214,456 4.8%	YTD average 1,612,265 1,538,695 4.6%
2Q-03 Labor Force Employment Unemployment Rate	230,442 218,153 5.3%	1,641,417 1,546,318 4.6%	227,852 216,305 5.3%	YTD average 1,626,841 1,542,506 4.6%
3Q-03 Labor Force Employment Unemployment Rate	233,407 219,973 5.8%	1,658,125 1,578,278 4.8%	229,703 217,527 5.3%	YTD average 1,637,269 1,554,543006 4.7%
4Q-03 Labor Force Employment Unemployment Rate	230,258 218,572 5.1%	1,640,491 1,568,229 4.4%	229,491 217,789 5.2%	YTD average 1,638,075 1,557,880 4.6%

Source: Planning Department with data from Minnesota Department of Employment and Economic Development, Labor Market Information Numbers reflect new revisions made by DEED

PRICES

In the second half of 2003, prices for all consumer goods and services in the MinneapolisSt. Paul metropolitan area increased by 1.9 percentage points in comparison with the first half of the year, and by 3.6 in comparison with the same period last year. Annual CPI for 2003 grew by 3.1 percentage points in the Twin Cities metro compared with the year 2002. The United States annual CPI in 2003 jumped by 4.1 percentage points, and in the Midwest urban areas it rose by 3.9 percentage points compared to 2002.

Housing prices increased by 4.7 percentage points in the second part of 2003 in comparison with the second half of last year and by 2.3 points since the first half of 2003. Although the price index remains relatively lower in the metro area than in both the United States and the Midwest urban areas, it tended to rise quickly in 2003.

TABLE 4: CONSUMER PRICE INDEX (CPI)

For all consumers, not seasonally adjusted; base period: 1982-84=100

	· ·			
	AREA	MINNEAPOLIS	MID-WEST	US
2002				
First Half	All Items Housing	179.3 167.4	173.8 170.7	178.9 179.2
Second Half	All Items Housing	180.0 168.3	175.9 173.0	180.9 181.4
Annual	All Items Housing	179.6 167.8	174.9 171.8	179.9 180.3
	AREA	MINNEAPOLIS	MID-WEST	US
2003				
First Half	All Items Housing	181.7 170.7	177.8 175.2	183.3 184.0
Second Half	All Items Housing	183.6 173.5	178.8 176.5	184.6 185.6
Annual	All Items Housing	182.7 171.9	178.3 175.8	184.0 184.8

Source: Bureau of Labor Statistics

INTEREST RATES

Interest rates influence the demand for housing and other investments. While the LIBOR rate increased at the end of the fourth quarter, the 30-year required net yield rate tended to decline.

The LIBOR rate picked up again in October after a decline in September, to end in December slightly down from the November level. LIBOR is used as a base index for setting rates of some adjustable rate financial instruments, including adjustable rate mortgages. At the end of 2003, this rate was increasing in comparison with the third quarter.

TABLE 5: LIBOR RATE 2002 & 2003 end of quarter

QUARTER	RATE
3Q-02	1.813
4Q-02	1.447
1Q-03	1.340
2Q-03	1.201
3Q-03	1.286
4Q-03	1.458

Source: Fannie Mae

Fannie Mae publishes rates the last business day of each month. Quarterly rates are rates for the last month of the quarter.

The 30-year required net yield is frequently used as a basis for converting an adjustable-rate mortgage to a fixed-rate mortgage. At the end of the fourth quarter of 2003, the 30-year required net yield rate had decreased to 5.84 from 6.13 at the end of the third quarter. It also decreased between December 2003 (5.84) and December 2002 (6.03).

TABLE 6: 30-YEAR REQUIRED NET YIELD 2002–2003 end of quarter

QUARTER	RATE
3Q-02	5.91
4Q-02	6.03
1Q-03	5.45
2Q-03	4.87
3Q-03	6.13
4Q-03	5.84

Source: Fannie Mae. Quarterly rates show monthly rates at the end of each quarter.

LIBOR RATE, January to December 2003



INTEREST RATES, Historical 30 year required net yield January to December 2003



RESIDENTIAL GROWTH

Building permits for new residential construction: Permits represent residential construction projects submitted to the City for approval. Typically there is a time lag between permitting a project and actual construction

> Tables seven and eight are based on monthly figures from the City of Minneapolis and metropolitan area counties provided via the Bureau of the Census. The map on new building construction is based on permit information by address provided by the City's Inspections Division. Numbers from the Census Bureau and City Inspections may differ slightly for the same period. Census Bureau numbers do not include additions, remodels or demolitions.

Single family buildings include only one unit in the structure.

Multifamily buildings include two or more units in the structure.

Value of residential construction is based on the amount of dollars that developers report as cost of their projects.

Construction value per unit refers to the total construction value divided by the number of units permitted during the period considered.

Building permits for residential remodeling: Map two is based on data from the City of Minneapolis Inspections Division. Information includes all projects for residential remodeling submitted to the City for approval with a value of \$50,000 or more.

Building permits for demolitions or wrecking: These data were obtained from the City of Minneapolis Inspections Division, and include all residential buildings that were demolished either partially or totally. The categories within multifamily buildings and units include condominiums.

Inflation-Adjusted figures: Values reported in tables in this report are expressed in current dollars (not adjusted for inflation). For analysis purposes, however, text is based on these table values converted to constant (inflationadjusted) dollars based on the U.S. Bureau of Labor Statistics' Consumer Price Index (CPI) for all urban consumer goods in the Minneapolis-St. Paul-WI metropolitan area as defined by the U.S. Office of Management and Budget (OMB).

NEW RESIDENTIAL CONSTRUCTION

In Minneapolis new residential construction decreased in the last quarter, but it was still 3.4 percent above figures for the fourth quarter of 2002. In the metro area it has been growing since the beginning of the year and was 6.5 percent higher in the last quarter than in the same period last year.

In 2003 residential construction in the city was slower than last year, when 1,614 total units were built. On the other hand, the metro area showed increasing activity in comparison with last year.

Construction of single-family housing in Minneapolis declined after two brisk second and third quarters. There were 23 fewer units permitted in the fourth quarter of 2003 than there were in the same period of 2002. The metro area also showed less activity in comparison with the third and second quarters. Although the number of permitted units decreased by 304 in the last quarter of 2003, the number was still higher than permitted units for the same period last year. At 6.2 percent, the city's share of permits in the metropolitan area did not change in comparison with the same period of 2002.

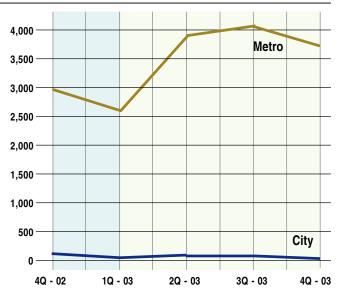
Multifamily construction in the metro area grew steadily since the first quarter, although permits in the fourth quarter were fewer than in the fourth quarter of the previous year. The city, on the other hand, permitted more multifamily units in the last quarter of the year than during the same period of 2002, but construction declined in the last quarter in comparison with the third.

TABLE 7: NEW RESIDENTIAL CONSTRUCTION

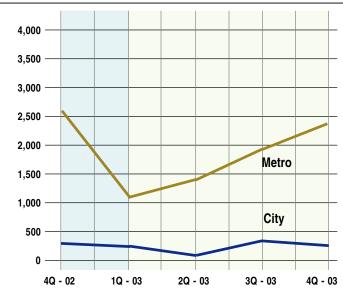
	SF Units	MF Units	TOTAL	SF UNITS	MF UNITS	TOTAL
4Q-02 City Metro Area City Share	74 3,049 2.4%	277 2,618 9.6%	351 5,667 6.2%	2002 YTD 247 11,808 2.0%	1,367 7,556 15.3%	1,614 19,364 8.3%
1Q-03 City Metro Area City Share	33 2,621 1.3%	248 1,073 23.1%	281 3,694 7.6%	2003 YTD 33 2,621 1.3%	248 1,073 23.1%	281 3,694 7.6%
2Q-03 City Metro Area City Share	112 3,937 2.8%	106 1,428 7.4%	218 5,365 4.1%	YTD 145 6,558 2.2%	354 2,501 14.2%	499 9,059 5.5%
3Q-03 City Metro Area City Share	121 4,034 3.0%	335 1,904 17.6%	456 5,938 7.7%	YTD 266 10,592 2.5%	689 4,405 15.6%	955 14,997 6.4%
4Q-03 City Metro Area City Share	51 3,730 1.4%	322 2,306 14.0%	373 6,036 6.2%	YTD 317 14,322 2.2%	1,011 6,711 15.1%	1,328 21,033 6.3%

Source: US Bureau of the Census

PERMITS FOR NEW CONSTRUCTION: SINGLE FAMILY UNITS



PERMITS FOR NEW CONSTRUCTION: MULTI-FAMILY

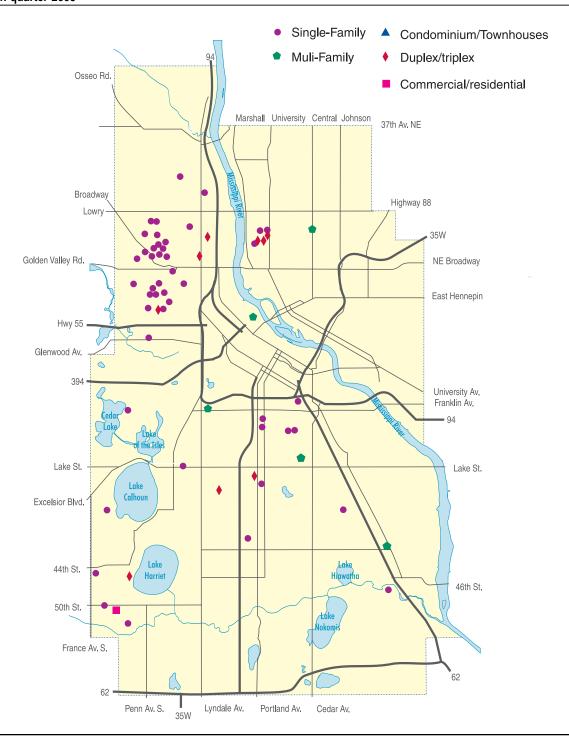


NEW RESIDENTIAL CONSTRUCTION

Permits issued during the fourth quarter in the City of Minneapolis show that construction of new single-family units continued to occur mainly in the Near North community and to a lesser extent in other parts of the city. Two apartment buildings were permitted with a total of 52 units: one on Franklin Avenue to the south of Downtown and the other on Bloomington Avenue near 29th Street. A

51-unit apartment building for senior living was permitted on Central Avenue five blocks south of Lowry Avenue. Two multi-story condominium buildings were also permitted. A 44-unit building is to be built on Clifton Avenue south of Downtown, and another multi-story is under construction at First Street in the North Loop. A seven-unit condominium was permitted on Dight Avenue in the Hiawatha Corridor.

MAP 1: MINNEAPOLIS PERMITS FOR NEW RESIDENTIAL CONSTRUCTION fourth quarter 2003



VALUE OF RESIDENTIAL CONSTRUCTION

Total new residential construction value in the city decreased in the fourth quarter by about 37 percent compared to the fourth quarter of 2002 (adjusted for inflation). In the seven-county metropolitan area it was about 14 percent higher than in the same period of the previous year. The city's share in the fourth quarter of 2003 was 2.9 percent of the metro total construction value. Total construction gain in the metro area was fueled by strong activity in the single-family construction sector. Multifamily construction was lagging behind, especially in the city.

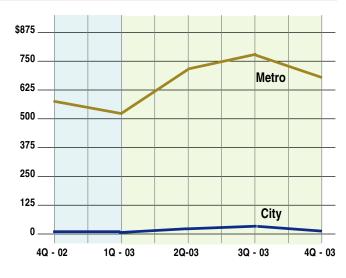
The year 2003 ended with the city losing 33.5 percent of new construction value in comparison with last year, decreasing its value share in the metro area from 6.3 percent to 3.7 percent. The metro area gained more than 14 percent of the total.

TABLE 8: VALUE OF NEW RESIDENTIAL CONSTRUCTION in dollars

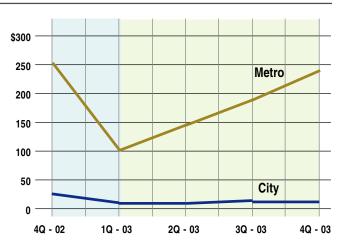
	SF Units	MF Units	SF UNITS	MF Units
4Q-02 City Metro Area City Share	9,880,681 571,778,530 1.7%	33,253,274 251,624,209 13.2%	2002 YTD 33,350,469 2,194,345,733 1.5%	151,118,809 741,613,471 20.4%
1 Q-03 City Metro Area City Share	5,178,427 518,254,676 1.0%	16,222,344 101,240,227 16.0%	2003 YTD 5,178,427 518,254,676 1.0%	16,222,344 101,240,227 16.0%
2Q-03 City Metro Area City Share	17,741,135 731,326,660 2.4%	16,563,178 142,990,747 11.6%	YTD 22,919,562 1,249,581,336 1.8%	32,785,522 244,230,974 13.4%
3Q-03 City Metro Area City Share	\$ 20,645,386 785,047,181 2.6%	\$21,319,760 189,370,664 11.3%	\$43,564,948 2,034,628,517 2.1%	\$ 54,105,282 433,601,638 12.5%
4Q-03 City Metro Area City Share	7,891,208 722,829,942 1.1%	20,022,135 239,989,604 8.3%	YTD 51,456,156 2,757,458,459 1.9%	74,127,417 673,591,242 11.0%

Table values are not adjusted for inflation.
Source: US Bureau of the Census

SINGLE FAMILY CONSTRUCTION VALUES in millions of dollars



MULTI- FAMILY CONSTRUCTION VALUES in millions of dollars



While single-family construction value rose during the fourth quarter in the metro area by 23 percent in constant dollars compared to the same period last year, it declined by 22 percent in the city. Single-family value, however, rose by more than 50 percent in the city during the year 2003 in comparison with 2002. Strong activity during the second and third quarters of the year offset the loss in the last quarter. In comparison, it only increased by 22.7 percent in the metro area.

In the fourth quarter, multifamily construction value declined in the city and the metro area, with the city decreasing by more than 41 percent. In 2003 multifamily construction value decreased in current values in comparison with 2002. While in the metro area the decrease was about 11 percent, in the city it was slashed by 52 percent.

RESIDENTIAL CONSTRUCTION COST

In the fourth quarter, inflation-adjusted average construction cost per single-family unit in the city decreased by about 13 percent in comparison with the fourth quarter last year. In the metro area it was 0.5 percent higher than the same period last year. Average multifamily cost per unit declined by almost 50 percent in the city and 5.3 percent in the metro area.

In the year 2003 the average construction cost per single-family unit in the city was \$162,300, an increase of more than 17 percent from 2002 adjusted values. Average multifamily cost per unit decreased by more than 35 percent from \$113,200 in 2002 to \$73,300 a year later. In the metro area average single-family construction cost per unit in current dollars increased by 1.1 percent to \$192,500, and average multifamily construction cost per unit decreased by 0.2 percent to about \$100,400.

SINGLE FAMILY CONSTRUCTION COST per unit

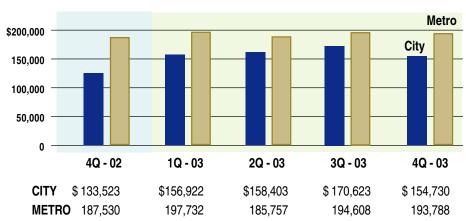


Table values are not adjusted for inflation.

MULTI-FAMILY CONSTRUCTION COST per unit

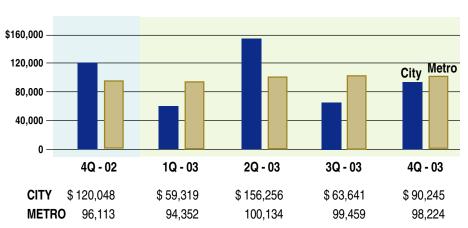


Table values are not adjusted for inflation.

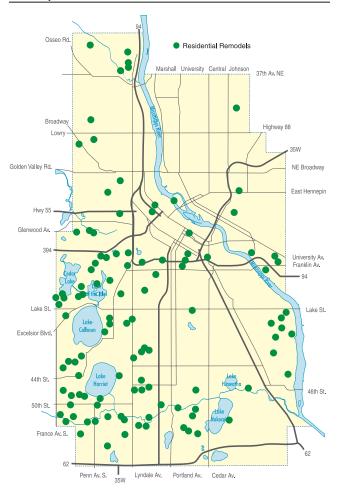
RESIDENTIAL REMODELS

One hundred and sixteen permits were issued for remodels with a value of \$50,000 or more, for a total of more than \$15.9 million. The highest concentration of these projects appears in the lake area to the west of Interstate 35W and to the south of Minnehaha Creek. The largest, valued at more than \$2 million, was the conversion of a building on Washing-

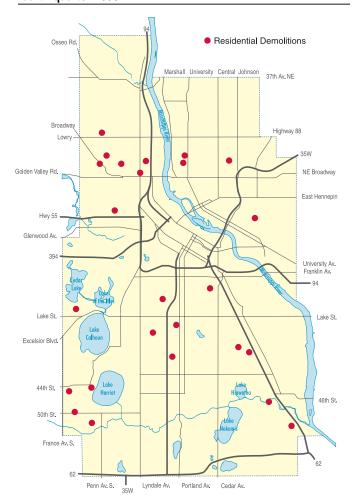
ton Avenue South into 29 dwelling units with restaurant on the first floor.

In the year 2003 there were 413 residential remodels, additions and renovations for values of \$50,000 or more, a decrease of 4.6 percent from the number of permits issued last year in the same category.

MAP 2: RESIDENTIAL REMODEL PROJECTS \$50,000 + fourth quarter 2003



MAP 3: PERMITS FOR RESIDENTIAL BUILDING DEMOLITIONS fourth quarter 2003



RESIDENTIAL DEMOLITIONS

In the fourth quarter of 2003, there were 22 residential demolitions. In the fourth quarter of 2002, there were 22 also. Most demolitions were single-family units scattered around the city, with a small concentration in the Near North community. In the year 2003 there were 83 demolitions in comparison with 137 last year, a decrease of almost 40 percent.

TABLE 9: MINNEAPOLIS BUILDING PERMITS FOR RESIDENTIAL DEMOLITION

NUMBER OF UNITS	2002 4Q-02	2002 YTD	2003 1Q-03	2Q-03	3Q-03	4Q-03	2003 YTD
Single Family	17	71	12	15	14	16	71
Condo/Townhouse	0	0	0	0	0	0	0
Multi-Familly	5	38	2	2	14	6	22
Duplex/Triplex	0	28	0	6	0	0	6
TOTAL	22	137	14	23	28	22	85

Source: Minneapolis Inspections Department

THE HOUSING STOCK

Single and multi-family: Table 10 was derived from the Minneapolis Assessor's Office based on property tax records from the Hennepin County Property Tax Department. The City Assessor's Office certifies the records for the city every year. As a result, table ten will be updated yearly because accurate data is not available quarterly.

> Structure refers to a building that may have one or more units. The number of units and structures for single-family is the same.

Condominium refers to a legal category of property ownership and usually designates units in high-rise buildings or other multifamily structures that have common areas and individual properties.

Townhouses are attached single-family units that usually adopt a condominium type of home ownership.

Vacancy Rate: Vacancy rate is the percent of unoccupied housing units in the total number of housing units. Overall vacancy rates for the city and metro area are available in the 2000 and 1990 Census of Population and Housing. The Bureau of the Census Housing Vacancy Survey presents annual rental and homeowner vacancy rates for the Twin Cities metropolitan area. This metro area according to the U.S. Office of Management and Budget (OMB) definition includes Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington and Wright counties in Minnesota and Pierce and St. Croix counties in Wisconsin.

> Vacancy rates for the multifamily rental market are calculated quarterly by GVA Marquette Advisors based on a quarterly survey of properties in the Twin Cities metropolitan area. The survey also tracks the average rent paid for apartment units.

Average sale values: These values are based on reported home prices to the Hennepin County Property Tax Department. The figures are unverified and may not reflect the actual sale value.

Inflation-Adjusted figures: Values reported in tables in this report are expressed in current dollars (not adjusted for inflation). For analysis purposes, however, text is based on these table values converted to constant (inflationadjusted) dollars based on the U.S. Bureau of Labor Statistics' Consumer Price Index (CPI) for all urban consumer goods in the Minneapolis-St. Paul-WI metropolitan area as defined by the U.S. Office of Management and Budget (OMB).

HOUSING STOCK

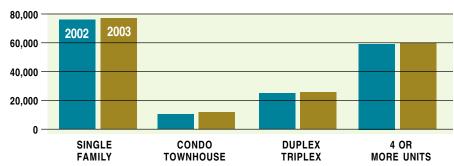
In 2003 Minneapolis had 170,788 housing units. Of these almost 44.2 percent were single-family and nearly 35 percent were multifamily with four or more units in a structure. There were 1,671 units added since 2002: 169 single-family dwellings; 381 condominiums/townhouses and 1,261 units in multifamily buildings with four or more units.

TABLE 10: HOUSING STOCK

Minneapolis 2002						
HOUSING TYPE	SINGLE- FAMILY	CONDO TOWNHOUSE	DUPLEX/ TRIPLEX	4 UNITS OR MORE	TOTAL	
Structures	75,402	10,145	12,119	3,449	101,115	
Units	75,402	10,145	25,198	58,372	169,117	
% of all Structures	74.6%	10.0%	12.0%	3.4%	100.0%	
% of all Units	44.6%	6.0%	14.9%	34.5%	100.0%	
Minneapolis 2003						
Minneapolis 2003	SINGLE-	CONDO TOWNHOUSE	DUPLEX/ TRIPLEX	4 UNITS OR MORE	TOTAL	% CHANGE
·	SINGLE- FAMILY				TOTAL 101,589	,-
HOUSING TYPE	SINGLE- FAMILY 75,571	TOWNHOUSE	TRIPLEX	OR MORE		CHANGE
HOUSING TYPE Structures	SINGLE- FAMILY 75,571 75,571	TOWNHOUSE 10,526	TRIPLEX 12,050	OR MORE 3,442	101,589	CHANGE 0.5%

Source: Minneapolis Assessor's Office

NUMBER OF HOUSING UNITS BY TYPE - Minneapolis 2002 & 2003



Source: Minneapolis Assessor's Office

VACANCY RATE

Between 1990 and 2000 the overall vacancy rate, including all types of housing units, dropped from 6.9 percent in 1990 to 3.7 percent in 2000 in Minneapolis. It also decreased in the metro area from 5.1 percent to 2.5 percent.

TABLE 11: OVERALL VACANCY RATE

	2000	1990
Minneapolis	3.7%	6.9%
Metro Area	2.5%	5.1%

Source: Census of Population & Housing

In the Twin Cities metropolitan area in 2003, annual vacancy rates in the rental market reached the highest point in the last 18 years. Vacancy rates in the homeowner market were highest in 1996, and increased again by 6 percentage points since 2002. In 2000, vacancy rates were at their lowest level but began climbing in the following years.

ANNUAL VACANCY RATES

Minneapolis-St. Paul-Wisconsin Metro Region



Source: Census Bureau, Housing Vacancy Survey, Annual Statistics

VACANCY RATE

The average vacancy rate in the multifamily rental market in Minneapolis was 6.5 percent and the average rent was \$815, a dollar up from the third quarter. The average vacancy rate increased in comparison with the third quarter and is also higher than the rate in the same period last year.

TABLE 12: MINNEAPOLIS MULTI-FAMILY VACANCY RATE & AVERAGE RENT 2003 by quarters and Year-to-Date (average)

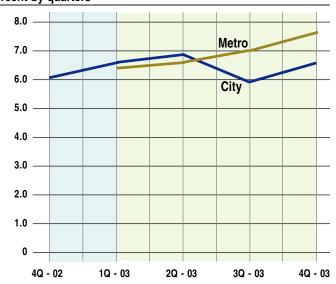
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QUARTER	2003 1Q-03	2Q-03	3Q-03	4Q-03	2003 YTE 1Q-03	(average) 2Q-03	3Q-03	4Q-03	
Units surveyed	17,831	17,285	17,437	17,451	17,831	17,558	17,518	17,501	
Vacant Units	1,124	1,126	1,007	1,142	1,124	1,125	1,086	1,100	
Average rent	\$ 799	\$816	\$816	\$815	\$ 799	\$ 808	\$811	\$812	
Vacancy Rate	6.3%	6.5%	5.8%	6.5%	6.3%	6.4%	6.2%	6.3%	
	QUARTER Units surveyed Vacant Units Average rent	QUARTER 10-03 Units surveyed 17,831 Vacant Units 1,124 Average rent \$799	QUARTER 1Q-03 2Q-03 Units surveyed 17,831 17,285 Vacant Units 1,124 1,126 Average rent \$799 \$816	QUARTER 2003 1Q-03 2Q-03 3Q-03 Units surveyed 17,831 17,285 17,437 Vacant Units 1,124 1,126 1,007 Average rent \$ 799 \$ 816 \$ 816	QUARTER 2003 1Q-03 2Q-03 3Q-03 4Q-03 Units surveyed 17,831 17,285 17,437 17,451 Vacant Units 1,124 1,126 1,007 1,142 Average rent \$799 \$816 \$816 \$815	QUARTER 1Q-03 2Q-03 3Q-03 4Q-03 2003 YTE 1Q-03 Units surveyed 17,831 17,285 17,437 17,451 17,831 Vacant Units 1,124 1,126 1,007 1,142 1,124 Average rent \$ 799 \$ 816 \$ 816 \$ 815 \$ 799	QUARTER 1Q-03 2Q-03 3Q-03 4Q-03 1Q-03 2Q-03 Units surveyed 17,831 17,285 17,437 17,451 17,831 17,558 Vacant Units 1,124 1,126 1,007 1,142 1,124 1,125 Average rent \$ 799 \$ 816 \$ 816 \$ 815 \$ 799 \$ 808	QUARTER 10-03 2Q-03 3Q-03 4Q-03 1Q-03 2Q-03 3Q-03 Units surveyed 17,831 17,285 17,437 17,451 17,831 17,558 17,518 Vacant Units 1,124 1,126 1,007 1,142 1,124 1,125 1,086 Average rent \$ 799 \$ 816 \$ 815 \$ 799 \$ 808 \$ 811	QUARTER 1Q-03 2Q-03 3Q-03 4Q-03 1Q-03 2Q-03 3Q-03 4Q-03 1Q-03 2Q-03 3Q-03 4Q-03 Units surveyed 17,831 17,285 17,437 17,451 17,831 17,558 17,518 17,501 Vacant Units 1,124 1,126 1,007 1,142 1,124 1,125 1,086 1,100 Average rent \$ 799 \$ 816 \$ 816 \$ 815 \$ 799 \$ 808 \$ 811 \$ 812

Source: Marquette report for 2002 based on property survey

In the year 2003, the average vacancy rate rose in Minneapolis to 6.5 percent from 4.9 percent in 2002. Average rents also rose from an average of \$799 to an average of \$812 in 2003.

The average apartment rent in the city has increased from the last quarter of last year but it is still lower than the metro area.

MINNEAPOLIS VACANCY RATE 2002 -03 percent by quarters



MINNEAPOLIS APARTMENT AVERAGE RENT 2002 –03 in dollars by quarters



RESIDENTIAL SALES

The average sale value for a single-family house sold in Minneapolis in the fourth quarter was about \$209,200, a decrease of 7.5 percent compared to the third quarter. Compared to the fourth quarter of 2002, values were 3.5 percent higher in 2003. While housing units in general gained in value, duplexes and triplexes appreciated faster than any other category. Total sale values increased by more than

4 percent, but the total number of units sold decreased by 10.4 percent in the fourth quarter compared to the same period of 2002.

In the year 2003, the total average price per unit increased to more than \$222,000 from an average of about \$177,000 in 2002 and 1,777 fewer units were sold.

TABLE 13: MINNEAPOLIS RESIDENTIAL UNITS SOLD & AVERAGE SALE VALUES

		4Q-2002		1Q-2003		2Q-2003		3Q-2003		4Q-2003
	# UNITS	AVG. SALE								
Single-Family	1,139	\$ 196,373	967	\$ 207,195	1,052	\$ 221,371	1,180	\$ 224,971	1,185	\$ 209,187
Duplex/Triplex	361	103,353	173	222,530	118	251,743	154	254,879	179	242,196
Condominium	129	233,895	168	245,320	175	220,856	155	254,578	109	236,499
Townhouse	21	323,135	14	469,099	12	223,404	15	335,034	6	390,818
TOTAL	1,650	\$ 180,568	1,322	\$ 216,820	1,357	\$ 223,963	1,504	\$ 232,183	1,479	\$ 215,932
		2002 YTD		2003 YTD		YTD		YTD		YTD
Single-Family	5,030	\$ 196,187	967	\$ 207,195	2,019	\$ 214,581	3,199	\$218,414	4,384	\$ 215,920
Duplex/Triplex	1,703	102,734	173	222,530	291	234,376	445	241,471	624	241,679
Condominium	628	204,477	168	245,320	343	232,839	498	239,605	607	239,047
Townhouse	78	331,650	14	469,099	26	355,701	41	348,140	47	353,583
TOTAL	7,439	176,913	1,322	216,820	2,679	220,438	4,183	224,661	5,662	\$ 222,381

Source: City of Minneapolis Assessor's Office Table values are not adjusted for inflation.

MINNEAPOLIS HOUSING AVERAGE SALE VALUE in dollars by quarter



Source: City of Minneapolis Assessor's Office

AFFORDABLE HOUSING

CPED Funding: The City of Minneapolis assists with housing mainly through the Department of Community Planning & Economic Development (CPED), which uses a large portion of federal funding to subsidize production. CPED contracts and partners with private developers and nonprofit organizations to increase production of affordable housing.

> Tables 13 and 14 show the number of units to be built in closed projects. "Closed projects" are those in which the project funding and conveyance has occurred and is finalized. There is usually only two days between the project closing and the construction start. The numbers include new construction and rehabilitation.

> An affordable unit is a housing unit affordable to households at or less than 50 percent of area median income as adjusted for family size. A unit affordable to households at 50 to 150 percent of area median income is called here "moderate to market" unit. This could be a slightly below market level price.

HUD Funding: The U.S. Department of Housing and Urban Development provides funding for housing intended to help low income families and elderly, disabled or handicapped individuals whose annual gross income does not exceed 50 percent of HUD's median income guidelines. Lowincome families may also receive direct rental assistance through Section 8 vouchers. Table 16 does not include homes receiving vouchers. The table includes a few properties receiving financial aid under Section 236 of the 1994 Housing Act.

Publicly Owned Housing: These are units owned by the Minneapolis Public Housing Authority (MPHA). The MPHA manages properties, provides rental assistance and services to residents, builds new units and preserves the existing stock.

CPED ASSISTED HOUSING

Eleven multifamily housing projects financed by CPED closed in the fourth quarter. CPED financed 1,120 units, about 90 percent more than in the fourth quarter of 2002. About 38 percent were affordable, 180 more units than in the same period last year.

In 2003, housing units financed by the department increased by 34 percent, 729 units more than the 2,143 in 2002. The number of affordable units in closed projects increased by 92 percent in the same period to 1,608 in 2003.

In the fourth quarter of 2003, CPED sold developers 29 lots or properties for rehabilitation for single-housing units. The information on income level for these properties is not available. However, the Greater Metropolitan Housing Corporation (GMHC) Century Homes program requires its buyers to earn less than 115 percent of median income. The total number of properties sold was 50 percent down from the 58 units sold in the third quarter.

In 2003 the total number of properties sold to developers increased by 51 units from 2002, but the number of affordable units dropped from 16 in 2002 to 11 the year after.

TABLE 14: MULTI-FAMILY HOUSING UNITS IN PROJECTS FINANCED BY CPED new construction and rehabilitation

	2002 YTD	2003 1Q-03	2Q-03	3Q-03	4Q-03	2003 YTD
Number of projects	27	6	5	6	11	28
Affordable Units*	838	125	762	292	429	1,608
Moderate to market**	325	0	11	25	269	305
Market Units	980	91	35	411	422	959
TOTAL	2,143	216	808	728	1,120	2,872

^{*} at 50% of income level or below

Source: Minneapolis Community Planning & Economic Development Department (CPED)

TABLE 15: SINGLE-FAMILY HOUSING UNITS IN PROJECTS FINANCED BY CPED new construction and rehabilitation

	2002 YTD	2003 1Q-03	2Q-03	3Q-03	4Q-03	YTD 2003
Affordable Units*	16	2	6	3	0	11
Moderate to market	40	0	9	2	0	11
Other**	24	10	17	53	29	109
TOTAL	80	12	32	58	29	131

^{*} at 50% of income level or below

Source: Minneapolis Community Planning & Economic Development Department (CPED)

PUBLIC HOUSING

More than 80 percent of public housing units in Minneapolis are in high rise buildings. The total number of units did not change from 2002.

TABLE 16: HOUSING UNITS & PERCENT SHARE OF TYPES OF HOUSING OWNED BY THE MINNEAPOLIS PUBLIC HOUSING AUTHORITY year 2002

TYPE OF HOUSING	NUMBER	PERCENT
Multi-Family	4,856	84.1%
Single-Family	731	12.7%
Row Houses	184	3.2%
Total	5,771	100.0%

Source: Minneapolis Public Housing Authority (MPHA)

HUD ASSISTED HOUSING

In addition to CPED and the MPHA, the U.S. Department of Housing and Urban Development (HUD) assists with housing in the city. HUD's assistance is through Section 8 of the Housing Assistance Payment Program and Section 236 of the 1964 Housing Act. In the fourth quarter the number of assisted units in these programs diminished by two in comparison with the previous quarter.

TABLE 18: SECTION 8 & SECTION 236 HOUSING

	2003 1Q-03	2Q-03	3Q-03*	4Q-03**	2003 YTD (avg)
Number of Units	4,610	4,638	4,638	4,636	4,631
Possible Market Units	1,490	1,559	1,559	1,559	1,542
Total	6,100	6,197	6,197	6,195	6,172

^{*} as of Oct 31,03

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Source: HUD

^{**} at more than 50% of income level

^{**} At 115 % of income level or units for which information on income level is not available.

^{**} as of Feb. 25, 04



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